

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /055 W

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R 161708Z SEP 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1884

INFO AMEMBASSY BERLIN

USMISSION USBERLIN

AMCONSUL DUSSELDORF

USMISSION OECD PARIS

AMEMBASSY MOSCOW

AMCONSUL FRANKFURT

C O N F I D E N T I A L SECTION 01 OF 02 BONN 15609

E.O. 11652: GDS

TAGS: EEWT, ETRD, GW, GE

SUBJ: FRG VIEWS ON LEIPZIG FALL FAIR, INNER-GERMAN
TRADE

REF: (A) BONN A-246 (8/16/76); (B) BONN 6508;

(C) USBERLIN 1929

1. SUMMARY: FRG AND BUSINESS COMMUNITY PROFESS
SATISFACTION OVER LEIPZIG FALL FAIR. ONLY SURPRISE
IN OFFICIAL TALKS WAS GDR PROPOSAL FOR "COOPERATION
PROJECTS" IN THIRD COUNTRIES. FRG WILL EXAMINE IDEA,
BUT DOES NOT BELIEVE IT HOLDS MUCH PROMISE. 1976
INNER-GERMAN TRADE ROUGHLY IN BALANCE, AND FRG
EXPECTS TO GARNER SMALL SURPLUS AT YEAR'S END. BONN
OFFICIAL PREDICTS THAT GDR WILL ASK FRG FOR MAJOR
INCREASE IN EXPORT GUARANTEE CEILING AFTER OCTOBER 3
ELECTIONS. END SUMMARY.

2. SEPTEMBER 15 EMBOFF MET WITH DR. ROESCH, DIRECTOR
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OF ECONMINISTRY OFFICE IN CHARGE OF INNER-GERMAN

TRADE, TO REVIEW LEIPZIG FALL FAIR AND SEPTEMBER 6 TALKS BETWEEN FRG STATE SECRETARY ROHWEDDER AND GDR FOREIGN TRADE MINISTER SOELLE.

3. ROESCH SAID THAT, IN BILATERAL TALKS AND THROUGHOUT FAIR, GDR LABORED TO ASSURE FRIENDLY, POSITIVE ATMOSPHERE. DEMONSTRATIVE VISITS BY HONECKER, AND ORDER OF ONE MILLION PAIR OF SHOES (VALUE: DM 30-40 MILLION), WERE PART OF THIS EFFORT. WEST GERMAN BUSINESSMEN WITH WHOM ROESCH HAD SPOKEN WERE PLEASED WITH RESULTS. THEY SAID THAT, CONTRARY TO EARLIER EXPECTATIONS, GDR HAD ONLY PUSHED MAJOR COMPANIES TO ENTER "COMPENSATION DEALS", AND HAD DROPPED PENALTY CLAUSE WHICH WOULD HAVE FORCED ALL WESTERN CONTRACTORS TO TAKE PAYMENT IN GDR GOODS. (ROESCH CLAIMED SOME CREDIT FOR DEMISE OF THIS CLAUSE, AGAINST WHICH HE HAD ARGUED IN EARLIER TALKS WITH HIS GDR COUNTERPARTS.) SAME ASSESSMENT BY BUSINESS COMMUNITY HAS APPEARED IN LOCAL PRESS.

4. IN SEPTEMBER 6 BILATERAL, ROHWEDDER ARGUED THAT GDR MUST IMPROVE MAKE-UP OF ITS GOODS IN INNER-GERMAN TRADE. AT PRESENT, SOME 31 PERCENT OF GDR EXPORTS TO WEST GERMANY ARE CONSUMER ITEMS; 20 PERCENT ARE TEXTILES; AND 10 PERCENT ARE INDUSTRIAL GOODS. BY CONTRAST, FRG STATISTICS SHOW THAT GDR EXPORTS TO ALL OECD COUNTRIES ARE 31 PERCENT INDUSTRIAL, AND ONLY 10 PERCENT CONSUMER GOODS. ROHWEDDER TOLD SOELLE THAT, UNLESS GDR MOVES QUICKLY TO UPGRADE ITS EXPORTS TO FRG, LOWER-PRICED IMPORTS FROM LDCS - PARTICULARLY IN TEXTILES - WILL SOON PUSH EAST GERMAN GOODS OUT OF MARKET. ROHWEDDER ALSO STRESSED, BOTH IN PRIVATE TALKS AND IN REMARKS TO PRESS, THAT FRG WILL CONTINUE TO HOLD "PROTECTIVE HAND" OVER ITS TEXTILE AND CLOTHING INDUSTRIES WHICH ARE ALREADY UNDER SIGNIFICANT PRESSURE FROM IMPORTS. ROESCH ADDED THAT FRG MONITORING SYSTEM FOR GDR TEXTILES IS WORKING WELL; NO NEW DUMPING CASES HAVE COME TO BONN'S ATTENTION.

5. ACCORDING ROESCH, ONLY SURPRISE AT OFFICIAL TALKS
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WAS GDR PROPOSAL FOR "COOPERATION PROJECTS" IN THIRD COUNTRIES (PRIMARILY IN THIRD WORLD). ROHWEDDER BRIEFLY SCANNED SOELLE'S AMBITIOUS LAUNDRY LIST AND CUT OFF DISCUSSION BY STATING THAT IDEA REQUIRES MUCH CAREFUL STUDY. ROHWEDDER SAID FRG WILL NOT ACTIVELY PROMOTE THESE VENTURES BUT HE URGED GDR TO SEEK OUT WEST GERMAN FIRMS WHICH MIGHT BE INTERESTED. IN LATER REMARKS TO PRESS, ROHWEDDER SAID FRG BELIEVES EFFORT

SHOULD BE MADE TO FIND OUT WHETHER SUCH COOPERATION
FEASIBLE, THOUGH HE CAUTIONED THAT VENTURE BETWEEN
RADICALLY DIFFERENT ECONOMIC SYSTEMS IN THIRD-COUNTRY
PROJECTS IS ABOUT AS DIFFICULT AN UNDERTAKING AS CAN
BE IMAGINED. ROESCH PERSONALLY SAW LITTLE FUTURE IN
GDR PROPOSAL WHICH HE INTERPRETED MORE AS PART OF GDR

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 15609

EFFORT TO CREATE GOOD ATMOSPHERE THAN AS INITIATIVE
WHICH LIKELY TO BEAR FRUIT.

6. ASKED ABOUT LIKELY COURSE OF INNER-GERMAN TRADE FOR
SECOND HALF OF 1976, ROESCH THOUGHT FRG WILL END YEAR
WITH SMALL SURPLUS, EVEN THOUGHT GDR HAS DELIVERED
SLIGHTLY MORE THAN IT HAS BOUGHT IN FIRST SEVEN MONTHS.
THOUGH SOELLE HAD NOT BROACHED SUBJECT, ROESCH SAID
TWO FACTORS WILL SOON TAKE STEAM OUT OF GDR'S EXPORT
SURGE: (1) GDR HAS ALMOST EXHAUSTED FRG QUOTA OF

ALLOWABLE TEXTILE EXPORTS FOR 1976, AND (2) IMPACT OF RECENT DROUGHT WILL LIMIT GDR ABILITY TO EXPORT TRADITIONALLY LARGE VOLUME OF AGRICULTURAL GOODS.

7. EMBOFF ASKED ROESCH ABOUT SEPTEMBER 15 PRESS ARTICLES CLAIMING THAT GDR WILL ASK FRG TO RAISE CEILING (CURRENTLY SET AT DM 2.25 BILLION) FOR GUARANTEE FACILITY WHICH SUPPORTS WEST GERMAN EXPORTS OF
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INDUSTRIAL GOODS AND RELATED SERVICES TO GDR. ROESCH REPLIED THAT GDR HAD NOT RAISED SUBJECT AT LEIPZIG. HOWEVER, WEST GERMAN FIRMS WILL PROBABLY ENTER NO NEW MAJOR PROJECTS IN GDR UNTIL FRG RAISES THIS CEILING -- A POLITICAL DECISION WHICH NOW IMPOSSIBLE DUE TO ONGOING CAMPAIGN. ROESCH PERSONALLY THOUGHT THAT, SOON AFTER OCTOBER 3 ELECTIONS, GDR WILL ASK FRG TO RAISE ITS GUARANTEE CEILING BY MAJOR AMOUNT. HE DECLINED TO BE MORE SPECIFIC.

8. SEPTEMBER 15 PAPERS ALSO REPORTED THAT GDR PLANS TO RESURRECT TALK ON TYING WEST BERLIN INTO FRG POWER GRID, VIA POWER LINE FROM HELMSTEDT EASTWARD. ROESCH POOH-POOHED THESE STORIES, AND INSISTED THAT ISSUE HAD NOT ENTERED LEIPZIG TALKS. RECALLING THAT FRG HAS FOR YEARS SOUGHT DIRECT POWER LINK WITH WEST BERLIN, ROESCH SAID THAT DEMISE OF KALININGRAD PROJECT WILL INEVITABLY REVIVE INTEREST IN OTHER SOLUTIONS. HE DECLARED THAT BEST WAY FOR FRG TO ACHIEVE ITS BASIC GOAL IS FOR WEST BERLIN TO GO AHEAD WITH PLANS TO BUILD ADDITIONAL POWER PLANTS ON ITS OWN SOIL (REF C).
HILLENBRAND

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